

### 0968 California Tax Credit Allocation Committee

The mission of the California Tax Credit Allocation Committee (CTCAC) is to fairly allocate federal and state tax credits to create and maintain safe quality affordable rental housing for low-income households in California by forming partnerships with developers, investors and public entities.

CTCAC works in public/private partnerships to assist with project development, while fulfilling its responsibilities as a credit agency through project compliance monitoring. CTCAC coordinates its functions with state and local housing fund providers and with private fund investors, when providing and maintaining quality, affordable housing.

The CTCAC consists of seven members, including the Treasurer who is designated as chairman, the Governor or Director of Finance, the State Controller, the Director of the Department of Housing and Community Development, the Executive Director of the California Housing Finance Agency, and two local government representatives.

#### 3-YR EXPENDITURES AND PERSONNEL YEARS

	Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
10 California Tax Credit Allocation Committee	31.6	35.0	37.0	\$810,188	\$4,782	\$5,194
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>31.6</b>	<b>35.0</b>	<b>37.0</b>	<b>\$810,188</b>	<b>\$4,782</b>	<b>\$5,194</b>
<b>FUNDING</b>				<b>2009-10*</b>	<b>2010-11*</b>	<b>2011-12*</b>
0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account				\$2,312	\$2,560	\$2,829
0457 Tax Credit Allocation Fee Account				2,970	2,162	2,305
0890 Federal Trust Fund				804,809	-	-
0995 Reimbursements				97	60	60
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$810,188</b>	<b>\$4,782</b>	<b>\$5,194</b>

#### LEGAL CITATIONS AND AUTHORITY

##### DEPARTMENT AUTHORITY

Internal Revenue Code Section 42; California Health and Safety Code Sections 50199.4 through 50199.22; California Revenue and Taxation Code Sections 12205.5, 12206, 17057.5, 17058, 23610.4, and 23610.5; Federal Tax Reform Act of 1986, Section 252 of Public Law No. 99-514 (October 22, 1986); Chapter 658, California Statutes of 1987, as amended; Chapter 1138, California Statutes of 1987, as amended; California Health and Safety Code Section 50199.51; California Revenue and Taxation Code Sections 17053.14, 23608.2, and 23608.3; California Health and Safety Code Section 50199.70; Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter X, Section 1400E et seq., as amended.

#### DETAILED BUDGET ADJUSTMENTS

	2010-11*			2011-12*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
<b>Workload Budget Adjustments</b>						
<b>Workload Budget Change Proposals</b>						
• Compliance Monitoring Staff Augmentation for HUD and ARRA Reporting Mandates	\$-	\$-	-	\$-	\$282	2.0
<b>Totals, Workload Budget Change Proposals</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$282</b>	<b>2.0</b>
<b>Other Workload Budget Adjustments</b>						
• Employee Compensation Adjustments	\$-	-\$160	-	\$-	-\$36	-
• Retirement Rate Adjustment	-	58	-	-	58	-
• Workforce Cap Adjustment	-	-119	-	-	-119	-
• Miscellaneous Baseline Adjustments	-	-	-	-	6	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>-\$221</b>	<b>-</b>	<b>\$-</b>	<b>-\$91</b>	<b>-</b>
<b>Totals, Workload Budget Adjustments</b>	<b>\$-</b>	<b>-\$221</b>	<b>-</b>	<b>\$-</b>	<b>\$191</b>	<b>2.0</b>
<b>Totals, Budget Adjustments</b>	<b>\$-</b>	<b>-\$221</b>	<b>-</b>	<b>\$-</b>	<b>\$191</b>	<b>2.0</b>

#### PROGRAM DESCRIPTIONS

10 - CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

\* Dollars in thousands, except in Salary Range.

## 0968 California Tax Credit Allocation Committee - Continued

The Federal Low Income Housing Tax Credit Program:

Congress authorized the federal program in 1986. It replaced traditional housing tax incentives, such as accelerated depreciation, with a tax credit that enables developers of affordable rental housing to raise project equity through the "sale" of tax benefits to investors.

As of 2010, each state has an annual housing credit ceiling of approximately \$2.10 per state resident, and may qualify for a share of credits available annually in a national pool comprised of states' unused credits. The annual housing credit ceiling is indexed for inflation. Investors can take the annual credit each year for a ten-year period.

The State Low Income Housing Tax Credit Program:

Recognizing the high cost of developing housing in California, the California Legislature authorized the State Low Income Housing Tax Credit Program to augment the federal tax credit program. Specifically, projects that are not receiving an increase in the federal credit basis may apply for and receive State credits. In addition, \$500,000 annually is available as State credit for projects housing farmworker populations.

The annual state credit ceiling is currently \$86 million, indexed for inflation (in addition to any unused or returned credits from previous years). Investors take the state credit over a four-year period in contrast to the ten-year federal allocation period. The full four-year state credit allocated to a project is deducted from the annual state credit ceiling, while only the annual federal credit allocated to a project is deducted from the federal ceiling.

Tax-Exempt Bond Financed Program:

Developments financed with tax-exempt bond proceeds may also receive federal tax credit. The sponsors of such projects must apply to the Committee and must conform to applicable federal and state statutory and regulatory requirements, but there is no annual "cap" on the amount of credit that may be awarded by the state to such developments. The annual credit available is based on approximately four percent (instead of the nine percent for projects that are not financed by a federal subsidy) of the "qualified basis" of the development, that is, the costs attributable to the units that will be income and rent restricted for a minimum of 30 years.

Under federal law, credit projects must remain affordable for at least 15 years; however, California's program generally requires maintaining affordability for 55 years. Land use agreements are recorded against each credit project to ensure compliance.

Farmworker Housing Tax Credit Program:

In 1996, the California Tax Credit Allocation Committee (CTCAC) received authorization from the California Legislature to administer an additional tax credit program to assist farmworkers, known as the Farmworker Housing Tax Credit Program. Annually, up to \$500,000 of state tax credits is available for the construction of farmworker housing.

Chapter 521, Statutes of 2008 (SB 1267) folded the Farmworker Housing Assistance tax credits into the general State low-income housing tax credit program. While \$500,000 annually continues to be authorized for State tax credits in support of farmworker housing, the program now operates under the rules of the general State low-income housing tax credit program.

### 20 COMMERCIAL REVITALIZATION DEDUCTION PROGRAM

In 2002, CTCAC received authorization to administer the Commercial Revitalization Deduction Program, a federal program designed to stimulate job growth and economic development in designated Renewal Communities nationwide. California currently has five Renewal Communities, which are portions of the Cities of San Francisco, Los Angeles, and San Diego, as well as the rural communities of Orange Cove and Parlier. CTCAC can allocate up to \$12 million in federal tax deductions to qualifying businesses in each of the Renewal Communities. These deductions are available to qualified businesses that acquire and renovate property, rehabilitate existing structures, or build property for commercial use.

By federal statute (IRC Title 26, § 1400I(g)), the program terminated on December 31, 2009. While the program was proposed to be extended by federal legislation in 2010, the tax extenders bill failed to pass out of Congress.

### AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

In 2009/10, CTCAC received approximately \$325 million in Tax Credit Assistance Program funds and approximately \$478 million in Section 1602 Grants in Lieu of Tax Credit funds as a result of the passage of the American Recovery and Reinvestment Act of 2009. These federal stimulus funds were awarded to 138 low income multi-family housing projects. Projects receiving the federal stimulus funds were either unable to sell their Low-Income Housing Tax Credits and therefore needed the cash in lieu of the tax credits, or were unable to sell the tax credits at a price that would make the project feasible and therefore needed financing to fill a funding gap.

### DETAILED EXPENDITURES BY PROGRAM

	2009-10*	2010-11*	2011-12*
<b>PROGRAM REQUIREMENTS</b>			
<b>10 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE</b>			
<b>State Operations:</b>			

\* Dollars in thousands, except in Salary Range.

**0968 California Tax Credit Allocation Committee - Continued**

	2009-10*	2010-11*	2011-12*
0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account	\$2,312	\$2,560	\$2,829
0457 Tax Credit Allocation Fee Account	2,646	2,026	2,169
0995 Reimbursements	97	60	60
<b>Totals, State Operations</b>	<b>\$5,055</b>	<b>\$4,646</b>	<b>\$5,058</b>
<b>Local Assistance:</b>			
0457 Tax Credit Allocation Fee Account	\$324	\$136	\$136
0890 Federal Trust Fund	804,809	-	-
<b>Totals, Local Assistance</b>	<b>\$805,133</b>	<b>\$136</b>	<b>\$136</b>
<b>TOTALS, EXPENDITURES</b>			
State Operations	5,055	4,646	5,058
Local Assistance	805,133	136	136
<b>Totals, Expenditures</b>	<b>\$810,188</b>	<b>\$4,782</b>	<b>\$5,194</b>

**EXPENDITURES BY CATEGORY**

	1 State Operations			Expenditures		
	Positions/Personnel Years					
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
<b>PERSONAL SERVICES</b>						
Authorized Positions (Equals Sch. 7A)	31.6	35.0	35.0	\$1,836	\$2,046	\$2,107
Total Adjustments	-	-	2.0	-	-140	282
Estimated Salary Savings	-	-	-	-	-95	-95
<b>Net Totals, Salaries and Wages</b>	<b>31.6</b>	<b>35.0</b>	<b>37.0</b>	<b>\$1,836</b>	<b>\$1,811</b>	<b>\$2,294</b>
Staff Benefits	-	-	-	655	848	726
<b>Totals, Personal Services</b>	<b>31.6</b>	<b>35.0</b>	<b>37.0</b>	<b>\$2,491</b>	<b>\$2,659</b>	<b>\$3,020</b>
<b>OPERATING EXPENSES AND EQUIPMENT</b>				\$2,564	\$1,981	\$2,032
<b>SPECIAL ITEMS OF EXPENSE</b>				\$-	\$6	\$6
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)</b>				<b>\$5,055</b>	<b>\$4,646</b>	<b>\$5,058</b>

**2 Local Assistance**

	Expenditures		
	2009-10*	2010-11*	2011-12*
Grants and Subventions	\$805,133	\$136	\$136
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$805,133</b>	<b>\$136</b>	<b>\$136</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS**

1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
<b>0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account</b>			
<b>APPROPRIATIONS</b>			
001 Budget Act appropriation	\$2,665	\$2,690	\$2,829
Allocation for employee compensation	-	9	-
Adjustment per Section 3.60	3	37	-
Reduction per Section 3.90	-142	-71	-
Reduction per Control Section 3.91	-	-105	-
011 Budget Act appropriation (Loan to the General Fund)	-	(25,000)	-
<b>Totals Available</b>	<b>\$2,526</b>	<b>\$2,560</b>	<b>\$2,829</b>
Unexpended balance, estimated savings	-214	-	-

\* Dollars in thousands, except in Salary Range.

## 0968 California Tax Credit Allocation Committee - Continued

1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
<b>TOTALS, EXPENDITURES</b>	<b>\$2,312</b>	<b>\$2,560</b>	<b>\$2,829</b>
<b>0457 Tax Credit Allocation Fee Account</b>			
APPROPRIATIONS			
001 Budget Act appropriation as amended by Chapter 1, Statutes of 2009, Fourth Extraordinary Session	\$2,358	-	-
Adjustment per Section 3.60	3	-	-
Reduction per Section 3.90	-174	-	-
Adjustment per Section 3.55	-1	-	-
Revised expenditure authority per Provision 1	2,004	-	-
001 Budget Act appropriation	-	\$2,111	\$2,163
Allocation for employee compensation	-	6	-
Adjustment per Section 3.60	-	21	-
Reduction per Section 3.90	-	-48	-
Reduction per Control Section 3.91	-	-70	-
011 Budget Act appropriation (Loan to the General Fund)	-	(25,000)	-
Health and Safety Code Section 50199.9(b)	-	6	6
<b>Totals Available</b>	<b>\$4,190</b>	<b>\$2,026</b>	<b>\$2,169</b>
Unexpended balance, estimated savings	-1,544	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$2,646</b>	<b>\$2,026</b>	<b>\$2,169</b>
<b>0995 Reimbursements</b>			
APPROPRIATIONS			
Reimbursements	\$97	\$60	\$60
<b>3038 Community Revitalization Fee Fund</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$49	-	-
Reduction per Section 3.90	-33	-	-
<b>Totals Available</b>	<b>\$16</b>	<b>\$-</b>	<b>\$-</b>
Unexpended balance, estimated savings	-16	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$5,055</b>	<b>\$4,646</b>	<b>\$5,058</b>
<b>2 LOCAL ASSISTANCE</b>			
<b>0457 Tax Credit Allocation Fee Account</b>			
APPROPRIATIONS			
Health and Safety Code Section 50199.9(b)	\$324	\$136	\$136
<b>TOTALS, EXPENDITURES</b>	<b>\$324</b>	<b>\$136</b>	<b>\$136</b>
<b>0890 Federal Trust Fund</b>			
APPROPRIATIONS			
101 Budget Act appropriation as added by Chapter 1, Statutes of 2009, Fourth Extraordinary Session	\$517,000	-	-
Budget Adjustment	287,809	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$804,809</b>	<b>\$-</b>	<b>\$-</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$805,133</b>	<b>\$136</b>	<b>\$136</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)</b>	<b>\$810,188</b>	<b>\$4,782</b>	<b>\$5,194</b>
<b>FUND CONDITION STATEMENTS</b>			
	2009-10*	2010-11*	2011-12*
<b>0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account <sup>s</sup></b>			
BEGINNING BALANCE	\$54,768	\$58,264	\$37,302
Prior year adjustments	54	-	-

\* Dollars in thousands, except in Salary Range.

**0968 California Tax Credit Allocation Committee - Continued**

	<u>2009-10*</u>	<u>2010-11*</u>	<u>2011-12*</u>
Adjusted Beginning Balance	\$54,822	\$58,264	\$37,302
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
125600 Other Regulatory Fees	5,755	6,280	6,805
150300 Income From Surplus Money Investments	-	321	205
Transfers and Other Adjustments:			
TO0001 To General Fund loan per Item 0968-011-0448, Budget Act of 2010	-	<u>-25,000</u>	-
Total Revenues, Transfers, and Other Adjustments	<u>\$5,755</u>	<u>-\$18,399</u>	<u>\$7,010</u>
Total Resources	\$60,577	\$39,865	\$44,312
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>			
Expenditures:			
0840 State Controller (State Operations)	1	2	2
0968 California Tax Credit Allocation Committee (State Operations)	2,312	2,560	2,829
8880 Financial Information System for California (State Operations)	-	1	11
Total Expenditures and Expenditure Adjustments	<u>\$2,313</u>	<u>\$2,563</u>	<u>\$2,842</u>
FUND BALANCE	\$58,264	\$37,302	\$41,470
Reserve for economic uncertainties	58,264	37,302	41,470
<b>0457 Tax Credit Allocation Fee Account <sup>s</sup></b>			
BEGINNING BALANCE	\$38,257	\$39,700	\$17,254
Prior year adjustments	<u>-58</u>	-	-
Adjusted Beginning Balance	\$38,199	\$39,700	\$17,254
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
125600 Other Regulatory Fees	4,465	4,500	4,500
150300 Income From Surplus Money Investments	-	219	93
161000 Escheat of Unclaimed Checks & Warrants	7	-	-
Transfers and Other Adjustments:			
TO0001 To General Fund loan per Item 0968-011-0457, Budget Act of 2010	-	<u>-25,000</u>	-
Total Revenues, Transfers, and Other Adjustments	<u>\$4,472</u>	<u>-\$20,281</u>	<u>\$4,593</u>
Total Resources	\$42,671	\$19,419	\$21,847
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>			
Expenditures:			
0840 State Controller (State Operations)	1	2	2
0968 California Tax Credit Allocation Committee			
State Operations	2,646	2,026	2,169
Local Assistance	324	136	136
8880 Financial Information System for California (State Operations)	-	1	9
Total Expenditures and Expenditure Adjustments	<u>\$2,971</u>	<u>\$2,165</u>	<u>\$2,316</u>
FUND BALANCE	\$39,700	\$17,254	\$19,531
Reserve for economic uncertainties	39,700	17,254	19,531
<b>3038 Community Revitalization Fee Fund <sup>s</sup></b>			
BEGINNING BALANCE	<u>\$3</u>	<u>\$3</u>	<u>\$3</u>
FUND BALANCE	\$3	\$3	\$3
Reserve for economic uncertainties	3	3	3

**CHANGES IN AUTHORIZED POSITIONS**

	<u>Positions/Personnel Years</u>			<u>Expenditures</u>		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
Totals, Authorized Positions	31.6	35.0	35.0	\$1,836	\$2,046	\$2,107
Furlough Adjustments	-	-	-	-	-74	-

\* Dollars in thousands, except in Salary Range.

## 0968 California Tax Credit Allocation Committee - Continued

	Positions/Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
PLP Adjustments	-	-	-	-	-66	-
<b>Proposed New Positions: HUD &amp; ARRA BCP</b>						
Assoc Govtl Prog Analyst	-	-	2.0	4,400-5,348	-	282
<b>Totals Proposed New Positions</b>	-	-	<b>2.0</b>	<b>\$-</b>	<b>\$-</b>	<b>\$282</b>
<b>Total Adjustments</b>	-	-	<b>2.0</b>	<b>\$-</b>	<b>-\$140</b>	<b>\$282</b>
<b>TOTALS, SALARIES AND WAGES</b>	<b>31.6</b>	<b>35.0</b>	<b>37.0</b>	<b>\$1,836</b>	<b>\$1,906</b>	<b>\$2,389</b>

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